

June 12, 2009

VIA E-MAIL and ELECTRONIC FILING

Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48911

RE: MPSC Case No. U-15996; In re Consumers Energy Company's Electric Generation Alternatives Analysis for Proposed Permit to Install No. 341-07

Dear Executive Secretary Kunkle,

The Natural Resources Defense Council, Environmental Law and Policy Center, Great Lakes Environmental Law Center, and the Sierra Club hereby request additional information regarding Consumers Energy's June 5, 2009 Balanced Energy Initiative – Electric Generation Alternatives Analysis filing (“EGAA Filing”). Such information is necessary to allow for fully informed review and comment on the BEI Filing by both the public and the Michigan Public Service Commission (“PSC”). Therefore, the PSC must require Consumers to file such information, make it available to the public, and initiate a new public comment period after all necessary information has been made available.

The Clean Air Act, which is one of the two statutes under which this evaluation of need and alternatives is occurring,¹ “emphasizes the importance of public participation and input into the decision making process,” *In re Knauf*, 8 E.A.D. 121, PSD Permit No. 97-PO-06 (E.A.B. Feb. 4, 1999), by requiring that decisions be made only “after adequate procedural opportunities for informed public participation in the decision making process.” 42 U.S.C. § 7470(5); *see also* 42 U.S.C. § 7475(a)(2); *In re Hadson Power 14*, 4 E.A.D. 258, PSD Appeal No. 92-3, 92-4, 92-5 (E.A.B. October 05, 1992). Such opportunities are critical because public participation encourages better analyses and decision making by government agencies, and helps to ensure that the public is well-informed about the significant decisions that the agency is making. *DuBois v. U.S. Dep't of Agriculture*, 102 F.3d 1273, 1285-86 (1st Cir. 1996). Opportunities for informed public participation also allow for the “public oversight and scrutiny” of agency action that “is essential to the preservation of a democratic society.” *American Federation of State, County, and Municipal Employees v. Dept. of Mental Health*, 452 Mich. 1, 14-15 (1996).

Consumers' filing is wholly inadequate to allow for informed public participation as even the basic information needed to evaluate the EGAA Filing has not been provided. Contrary to substantial evidence of declining need and increasing availability of cost effective energy efficiency and renewable energy alternatives, the EGAA Filing purports to demonstrate a need for the proposed Karn-Weadock coal-fired power plant and the lack of better alternatives to satisfy the purported need. In the Filing, Consumers makes numerous assertions about energy

¹ The other statute is the Michigan Environmental Protection Act (“MEPA”), M.C.L. 324.1701 *et seq.*

demand, the possible retirement of existing coal plants, the cost of coal and other energy alternatives, and the availability and feasibility of clean energy alternatives to coal. Those assertions, however, are entirely unsupported in the record as Consumers failed to provide any of the information, data, and analyses upon which the assertions are purportedly based. Without such documentation, the PSC and the public cannot effectively review and comment on the EGAA Filing as there is no way to evaluate the reasonableness and accuracy of the facts, assumptions, and analytical methods Consumers used in reaching its conclusions.

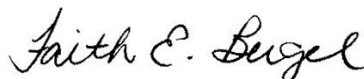
Exhibit 1 to this letter is a list of 37 categories of information, data, and analyses that the PSC and the public must have to fully evaluate the EGAA Filing. Before consideration of the EGAA Filing proceeds any further, the PSC must require that Consumers submit the information and data identified in Exhibit 1 and then make that information and data available to the public for review. In addition, given the importance of this information to an informed review, the PSC should initiate a new public comment period of at least 30 days after all of the requested information is made available so that the public has adequate time to review the information and incorporate it into their comments.

Thank you for your consideration of this request and please contact Shannon Fisk at (312) 651-7904 if you have any questions.

Respectfully Submitted,



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EXHIBIT 1

INFORMATION NEEDED FOR THE MICHIGAN PSC AND THE PUBLIC TO BE ABLE TO EVALUATE CONSUMERS ENERGY'S BALANCED ENERGY INITIATIVE ELECTRIC GENERATION ALTERNATIVES ANALYSIS

In order for the PSC and the public to be able to fully evaluate Consumers Energy's Balanced Energy Initiative – Electric Generation Alternatives Analysis (“EGAA Filing”), the following information must be submitted to the PSC and made available for public review:

1. Reference page 2 of the EGAA Filing. Identification of the specific units, their capacities, and the specific retirement dates referenced in the statement “The new clean coal unit eventually will allow the company to retire several of its oldest, less efficient coal plants.”
2. EGAA Filing, page 2. Workpapers and source documents that form the basis for the statement that “construction of the new plant will create about 1,800 construction jobs, an additional 2,500 indirect jobs, and inject \$1.2 billion into the Michigan economy.”
3. EGAA Filing, page 2 (and page 4). Workpapers and source documents that form the basis for the statement that this plan is a “balanced approach, without a dominant reliance on any one capacity source, fuel or technological solution.”
4. EGAA Filing, page 3.
 - a. A detailed description of the “detailed computer modeling techniques and risk analysis” on which the EGAA is based.
 - b. The input and output data files, in electronic txt format, for the computer modeling and risk analyses on which the EGAA is based.
5. EGAA Filing, page 6. The most recent load and energy sales forecasts prepared by or for Consumers Energy and specification of the date on which these forecasts were prepared.
6. Workpapers, including computer files, for each of the Figures and Tables in the EGAA filing.
7. EGAA Filing, page 7.
 - a. Projections of Michigan manufacturing activity, population growth or decline and housing supply and demand on which the EGAA load and energy forecasts are based.

- b. The most recent projections of Michigan manufacturing activity, population growth or decline and housing supply and demand prepared by or for Consumers Energy.
 - c. The most recent projection of economic activity in Consumers Energy's service territory prepared by or for the company.
- 8. EGAA Filing, page 8. A copy of the Brattle Group review of the company's load management and demand response assumptions.
- 9. EGAA Filing, page 8. Copies of any analyses or assessments of the EPRI report cited (reference 15) that translates the results of this report to Michigan's energy efficiency potential.
- 10. EGAA Filing, page 9. Copies of any analyses or assessments prepared by or for Consumers Energy which examined (a) the economics of new wind capacity and/or (b) how much wind can reliably be incorporated into the electric grid in Michigan.
- 11. EGAA Filing, page 11, Table 1.
 - a. An explanation as to why no additional renewable resources are added in the EGAA after 2017.
 - b. The bases, including the cost of saved energy and which tests were applied to assess benefits from particular efficiency programs and specific measures, for the energy reduction resources assumptions which reflect an increase to a 1.0% level for 2012-2015, then a decline to 0.5% in 2016 and beyond.
- 12. EGAA Filing, page 12 and Figure 2.
 - a. The coal units and their net capacities (in MW) that are assumed to be retired in Figure 2 and the years in which those units are assumed to be retired.
 - b. Any analyses that examine whether the addition of the new Karn/Weadock Generating Plant and the retirement of those units is the lowest cost option.
- 13. EGAA Filing page 13. The capacity factors used to assess wind energy resources and the bases for the statement regarding the "uncertainty of peak load reductions from energy efficiency on the hottest summer days."
- 14. EGAA Filing, page 14.
 - a. The natural gas price forecast(s) used in the development of the EGAA.
 - b. The most recent long-term natural gas price forecast prepared by or for Consumers Energy.
 - c. The most recent long-term coal price forecast prepared by or for Consumers Energy.

15. EGAA Filing, page 14.
 - a. Workpapers and the computer input and output data files, in electronic txt format, that form the basis for the following statement: “By 2017, without the new clean coal facility, market purchases are projected to more than double to 32%.”
 - b. Copies of any analyses of the market purchases Consumers Energy will make in any or all of the years through 2025 with or without the proposed Karn/Weadock Generating Plant.
16. EGAA Filing, pages 14 and 15.
 - a. An explanation of the basis for the assumption that the Palisades PPA will not be renewed or extended beyond 2022.
 - b. A version of Figure 2 which assumes that the Palisades PPA is renewed or extended beyond 2022.
17. EGAA Filing, page 16. The loads and resources analysis that forms the basis for the capacity shortfalls shown in Table 2.
18. EGAA Filing, page 18, figure 6. A description of the energy fuel mix for the years 2004-2008 for the resources reflected in this graph.
19. EGAA Filing, pages 19 and 20. The coal units, their capacities (in MW), and their capacity factors for the years 2004-2008 whose retirements are included in Figure 8 in the “assumed retirement of approximately 950 MW of existing coal capacity” and indicate the years in which these retirements are assumed to occur.
20. EGAA Filing, page 19. The bases for the statement that “the projected portfolio mix is well balanced and diverse, significantly reduces emissions, and has less reliance on coal than today.”
21. EGAA Filing, page 20. A version of Figure 8 that does not assume that the approximately 950 MW of existing coal capacity is retired.
22. EGAA Filing, page 23.
 - a. The workpapers for the projections of the future annual coal system emissions and energy shown in Figures 9 and 10 including, but not limited to, in electronic txt format, the input and output data files for any modeling analyses prepared by or for Consumers Energy.
 - b. Versions of Figures 9 and 10 that are extended beyond 2019 or 2020, that is, to 2030 or beyond.
 - c. A detailed explanation of the factors that would be responsible for the reductions in CO₂ emissions and coal system energy during the years of about 2013-2015/2016.
 - d. A detailed explanation of the factors that would be responsible for the reductions in CO₂ emissions and coal system energy in and/or after 2018.

- e. An explanation of whether the coal system emissions and energy data presented in Figures 9 and 10 assume coal plant retirements. If so, please specify the units assumed to be retired and the years in which those retirements are assumed to occur.
23. EGAA Filing, page 25. The studies, including those which evaluated domestic and international operating experience, in which Consumers Energy examined IGCC technology, CFB technology, and advanced and ultra supercritical PC boiler technologies.
24. EGAA Filing, page 27.
- a. (footnote 35) – The analyses which form the basis for the assumed CO₂ tax cost of \$22 per ton beginning in 2012 and rising to \$53 per ton by 2025.
 - b. (footnote 35) – An explanation of whether the CO₂ costs are in nominal dollars or in constant year dollars. If in constant year dollars, indicate the year.
 - c. Copies of any assessments or forecasts of future CO₂ emissions allowance or CO₂ tax costs prepared by or for Consumers Energy.
 - d. Copies of any assessments of the cost of adding and operating CCS at the proposed Karn/Weadock Generating Plant.
25. EGAA Filing, page 28, Table 5.
- a. The workpapers, including but not limited to computer files, for the development of the 40 year Bus-Bar Costs for each of the different coal technologies.
 - b. The coal construction costs used to develop the Bus-Bar costs for each of the technologies listed in Table 5.
 - c. The coal fuel prices, capacity factors, and other assumptions used to develop the Bus-Bar costs for each technology listed in Table 5.
26. EGAA Filing, page 30. The evidence and documents that, in Consumers Energy’s opinion, support the assumption that CCS will become technically and economically feasible in the 2022 to 2025 timeframe.
27. EGAA Filing, page 31. Copies of all assessments of natural gas combined cycle and combustion turbine construction costs prepared by or for or relied upon by Consumers Energy in the development of the Bus-Bar costs presented in Table 7.
28. A copy of the most recent assessment of the potential for energy efficiency in Consumers Energy’s service territory.
29. A copy of the most recent assessment of the potential in Consumers Energy’s service territory for each of the following renewable technologies
- a. wind

- b. solar PV, solar CSP and solar hot water heating
 - c. combined heat and power
 - d. distributed generation.
30. EGAA Filing, page 33. The analyses and source documents that form the basis for the statement that “While small scale distributed energy systems, such as small roof mounted wind turbines or solar energy systems are growing in popularity, these systems produce energy at a cost that is at least 4 to 5 times as much as baseload options.”
31. EGAA Filing, page 33. The analyses and source documents that form the basis for the statement that “ It also appears that a majority of the viable larger distributed renewable generation resources in the state are already developed.”
32. EGAA Filing, page 35.
- a. Copies of the assessments of the potential for and the cost of Great Lakes Off-shore wind.
 - b. The analyses and source documents that form the basis for the statement that “ Current projections put the cost of close to land off-shore wind farms in the Great Lakes somewhere between 140% and 200% more than comparable on-shore farms.”
 - c. The analyses and source documents that form the basis for the statement that “These increased project costs may only result in incremental capacity factors of 7 to 12 percentage points higher than the 28% on-shore estimate used in the *21st Century Energy Plan* and EGAA.”
33. EGAA Filing, pages 36 and 37.
- a. The workpapers, including but not limited to computer files, for the development of the 40 year Bus-Bar Costs for each of the different technologies listed in Table 7.
 - b. The analyses and source documents which form the basis for the assumption that a new natural gas combined cycle will operate at a capacity factor of 15%.
 - c. The data on the utilization of existing combined cycle facilities referenced in footnote number 48.
 - d. The analyses and source documents which form the basis for the assumption that a new natural gas combustion turbine will operate at a capacity factor of 3%.
 - e. The data on the utilization of existing combustion turbine facilities referenced in footnote number 49.
34. EGAA Filing, page 38. The analyses conducted on the cost effectiveness of energy efficiency and demand response programs that were evaluated by the

- Company to support the statement that such programs “are included in the EGAA at levels the Company believes are cost effective and realistically achievable.”
35. EGAA Filing, page 39. The analyses in which the EGAA modeling considered the potential role of transmission expansion in helping to meet future demand and potentially reducing generation requirements.
 36. EGAA Filing, page 52.
 - a. The Midwest ISO documents which report on the results of the modeling discussed in this May 19, 2009 letter.
 - b. The input and output data files, in electronic txt format, for the EGEAS modeling described in this May 19, 2009 letter.
 37. The current construction cost estimate for the proposed Karn/Weadock Generating Plant.